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THE CENTRAL ASIA-CAUCASUS ANALYST

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KEY ISSUE: A short 75-word statement of your conclusions about the issue or news event on which the article focuses.

BACKGROUND: 300-450 words of analysis about what has led up to the event or issue and why this issue is critical to the region. Include background information about the views and experiences of the local population.

IMPLICATIONS: 300-450 words of analysis of the ramifications of this event or issue, including where applicable, implications for the local people's future.

CONCLUSIONS: 100-200 words that strongly state your conclusions about the impact of the event or issue.

Field Reports focus on a particular news event and what local people think about the event. Field Reports address the implications the event or activity analyzed for peoples' lives and their communities. Field Reports do not have the rigid structure of Analytical Articles, and are shorter in length, averaging ca. 700-800 words.

Those interested in joining *The Analyst's* pool of authors to contribute articles, field reports, or contacts of potential writers, please send your CV to: <scornell@jhu.edu> and suggest some topics on which you would like to write.

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RUSSIAN PRESSURE AFFECTS UN STANCE ON GEORGIAN CONFLICTS

Johanna Popjanevski

On May 27, Georgia accused the UN Secretary General of giving in to Russian blackmail in his latest report on the situation in Abkhazia. The report – produced after Moscow and Sukhumi refused to take part in scheduled Geneva talks with Georgia – fails to refer to the breakaway republic as part of Georgia, and takes no account of Tbilisi’s requests for an international law enforcement mission there. The episode suggests that Russia has again used its influence in the UN Security Council to legitimize its policies and presence in Georgia, and highlights a need for Western states to take a determined stance with regard to Georgia’s territorial integrity. Failing to do so could result in new Russian aggression against Georgia, and risks further undermining the role of international organizations in Georgia’s conflict zones.

BACKGROUND: On May 18, UN Secretary General Ban Ki-Moon released his latest report, the fourth since the war last summer, on developments in the Georgian conflict zones. Like previous UNSG updates, the May 18 report outlines the security situation in Georgia’s breakaway republic of Abkhazia, and puts forward recommendations for keeping the peace in Georgia’s conflict zones. However, the wording of the latest report is notably different from previous assessments. In particular, its title excludes the usual reference to “the situation in Abkhazia, Georgia”. Instead, the title simply indicates that the report has been developed pursuant to the three latest Security Council resolutions on Abkhazia. Also notable is that the report omits the usual reference to the breakaway leaderships as “de facto” governments. This may be interpreted as a step towards recognition of the legitimacy of the two leaderships at the UN level.

The new rhetoric of the UNSG caused Georgia’s UN envoy Alexander Lomaia to lash out at the UNSG office, claiming that the report had been modified from its original version as a result of Russian “blackmail”. In a press conference on May 27, Lomaia pointed at the three day deferral of the

report (the report was originally due on May 15) as evidence that Russia had rejected the initial draft, using its leverage in the Security Council to force through a change in its original wording. Lomaia later reported to Reuters that he had been informed that Russia had threatened to veto any extension of the mandate of the United Nations Observer Mission (UNOMIG) if the UNSG office did not modify the report in accordance with Moscow’s requests.

Tbilisi, moreover, objects to the recommendations put forward in the report, particularly with regard to the future role of the UNOMIG in Abkhazia. During the May 27 press conference, Lomaia objected to the continuously weak mandate of the UNOMIG and restated Georgia’s long-term plea for an international mission with law enforcement competencies in Abkhazia. The Georgian envoy also criticized the UN for the absence of emphasis on the withdrawal of Russian forces from the conflict zones, as required by the August 2008 ceasefire-agreement.

It is notable that the UNSG report was produced only hours after Russia and the separatist leaderships of Abkhazia and South Ossetia jointly boycotted the Geneva talks led by the UN, EU



and OSCE, while awaiting the final wording of the overdue report. Following the release of the report, the parties returned to the negotiation table, but the episode clearly highlighted the pressure put on the UN secretariat with regard to its language in relation to the breakaway regions. The separatist capitals, backed up by Moscow, objects strongly to language implying that their territories are legally part of Georgia.

Ban Ki-Moon immediately rejected Georgia's accusations, referring to the UN charter, which stipulates that the Secretary General's office may not receive instructions from any governments. Moon's office went on to state that the Secretary General had chosen to rename the report to, as quoted by Reuters, "find a neutral title that would be acceptable or least offensive to the parties involved". Moscow too denied Tbilisi's allegations, claiming they had nothing to do with the "real state of things".

IMPLICATIONS: The May 18 episode should cause worry not only in Tbilisi but also in Western capitals, for several reasons. First, it indicates that the UN Security Council is once again allowing Russia to bargain over the role of the international community in relation to Georgia's conflicts. Indeed, it is not the first time

that Tbilisi finds itself let down by the UN in this regard. Georgia suffered a humiliating defeat in October 2006 when the Council, in spite of numerous indications to the contrary, adopted a resolution noting the "stabilizing role" of the Russian

peacekeepers in Abkhazia. Failing to take note of Tbilisi's repeated pleas for the internationalization of the peacekeeping format in Abkhazia, the Security Council instead urged the Georgian government to refrain from provocative actions in the conflict zone. As voting on a resolution concerning North Korean nuclear testing took place the same day, the wording of the resolution was believed in many quarters to be the result of a tradeoff between the U.S. and Russia.

Second, while the May 18 report is not formally binding for the UN Security Council, it risks setting the tone for upcoming Security Council resolutions on Abkhazia. In this respect, the wording and content of the report is troublesome, not least as it threatens to undermine the clearly articulated majority line of the UN Security Council of non-recognition of Abkhazia and South Ossetia. In this light, Tbilisi has valid reasons to be concerned by the UNSG choice of words in relation to its two breakaway republics.

Third, the wording of the report fails to emphasize acts of ethnic cleansing of Georgians from the two conflict zones during the August 2008 war. This is a worrisome implication, not least given that Georgia has brought Russia before the



(Getty Images)

International Court of Justice for acts of Racial Discrimination against ethnic Georgians last summer, a case that is currently pending.

CONCLUSIONS: The renewed failure of the West to take a determined stance against Russia with regard to Georgia's separatist territories does little to improve the already fragile security situation in Georgia's conflict zones. Moscow has already largely escaped accountability at the international level for its full-blown invasion of the Georgian territory last summer. Since then, Russia has confidently displayed to the international community its refusal to compromise on the security structures in Abkhazia and South Ossetia, effectively keeping the EU Monitoring Mission from accessing the two conflict zones and using its veto to expel the OSCE mission from South Ossetia. Thus, the Security Council's submission to Russian pressure is a dangerous development, given that the UN

remains the only organization with a security mandate in the conflict zones.

While Ban Ki-Moon's May 18 report hints at a troublesome shift towards at least tacit acceptance by the UN of Russia's policy vis-à-vis Georgia's breakaway territories, it is too early to judge whether it will set the direction for future UN policies in the region. Much will depend on the

next UN resolution on Abkhazia (extending the mandate of the UNOMIG), which is likely to be subject to debate in the Security Council. What is clear is that if Moscow is allowed to continue to use its leverage in the Council to legitimize its policies regarding Georgia's separatist territories, increasingly aggressive moves by Russia against Georgia should not be excluded. Needless to say, allowing Moscow to bargain its way within the framework of the UN will also only further undermine the organization's already questionable role as a peacekeeper, beyond the borders of Georgia. It remains to be seen how the Western powers in the Security Council will respond to this challenge.

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CENTRAL ASIA STRIVES TO RESIST NUCLEAR PROLIFERATION TIDE

Richard Weitz

The nuclear disorders in East Asia contrast vividly with the nonproliferation progress in the neighboring region of Central Asia. Whereas North Korea's nuclear testing is threatening to precipitate of a horizontal nuclear proliferation wave in surrounding countries, the Central Asian states are leading a campaign to strengthen the global nonproliferation regime by making their region a nonproliferation paradigm.

Unfortunately, the Central Asians are not masters of their fate; great power politics continue to impinge on their ability to pursue their nonproliferation goals.

BACKGROUND: On May 19, the U.S. government announced the completion of one of the largest nuclear recovery operations in history involving a trilateral partnership between Kazakhstan, Russia, and the United States. These parties, assisted by the International Atomic Energy Agency (IAEA), repatriated almost 74 kilograms of highly enriched uranium “spent” nuclear fuel, sufficient to construct several nuclear weapons, from Kazakhstan to a secure facility in Russia.

The operation occurred within the framework of the Global Threat Reduction Initiative, which seeks to reduce and protect vulnerable nuclear and radiological materials located at civilian sites throughout the world. Thomas D’Agostino, the Administrator of the National Nuclear Security Administration (NNSA), a semi-independent agency within the U.S. Department of Energy, said that the operation “continues the outstanding cooperation between the NNSA and the Government of Kazakhstan and is an important step forward in our national and global security.” After noting that President Barack Obama has announced his intention to expand such global threat reduction programs, D’Agostino added that, “We look forward to building on this success with Kazakhstan through continued cooperation in

future projects that meet the nonproliferation goals of our countries and the international community.”

On March, 21, 2009 the treaty on a Central Asian Nuclear Weapon Free Zone (CANWFZ), signed on September 8, 2006 in Semipalatinsk, Kazakhstan, entered into force, following its ratification by Kazakhstan’s government. The treaty establishing the CANWFZ—which encompasses the territories of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan—obligates the signatories not to research, develop, manufacture, stockpile or otherwise attempt to obtain a nuclear explosive device. The members also agree not to allow other parties to undertake such activities on their territories or assist them to do so elsewhere.

Kazakhstan is now becoming a lead player in global efforts to establish a “nuclear fuel bank” in which countries that do not develop their own fuel manufacturing capabilities can “borrow” uranium fuel for their power reactors from an international repository. In March, the Kazakh government privately told the Obama administration that it would consider hosting such a complex. Bulat Auezbaev, a senior scholar at Kazakhstan’s Institute for Strategic

Studies, believes that Kazakhstan would obtain several distinct benefits from a multinational nuclear repository located on its territory—including strengthening the country's nonproliferation reputation, securing millions of dollars in foreign investment, and helping to develop the country's domestic nuclear infrastructure.

President Obama has endorsed creating at least one international nuclear fuel repository, as have the IAEA and many of other governments and nuclear arms control groups. They believe the structure would remove an incentive for countries to develop their own uranium enrichment capabilities and other technologies that could be used to manufacture atomic bombs. Supporters of creating an IAEA-supervised nuclear fuel bank hope that it might help resolve the dispute over Iran's nuclear program. Iranian leaders have defied calls by the international community to restrain their nuclear power program, but they insist that they do not seek nuclear weapons. Allowing Iranians to participate in the manufacture of nuclear fuel, but at an international facility that limits their access to sensitive technologies that might be useful for bomb-making, might help overcome these differences. Kazakh President Nursultan Nazarbaev made public his interest in possibly hosting such a bank during an April 6 joint press conference in Astana with visiting Iranian President Mahmoud Ahmadinejad.

IMPLICATIONS: Kazakhstan has certain attributes that could make it a good candidate for such a fuel bank. First, Kazakhstan is a major player in the international uranium market. The country has enormous stocks of natural uranium (approximately one-fifth of the world's proven reserves), is set to become the largest national producer of uranium, and exports uranium to many countries.

Kazatomprom, the national nuclear monopoly, announced last year that it intends to increase its presence in several international nuclear energy markets. The conglomerate wants to mine 15,000 tons of uranium by 2010—which would make it the world's largest producer of natural uranium—and 30,000 tons annually by 2018. It has also set the goal of supplying 12% of the global uranium conversion market, 6% of the market for enriched uranium, and 30% of the fuel fabrication market by 2015. In recent years, the company has negotiated several important joint ventures with firms from China, Japan, Russia, and other countries.

Second, many states are justifying their decision to develop indigenous nuclear enrichment capabilities on the grounds that they do not want to become vulnerable to foreign suppliers for nuclear fuel, citing especially the risk of politically motivated supply cut-offs. The Kazakh government's longstanding "multi-vector" policy of trying to retain good relations with all countries means that foreign governments likely will feel comfortable depending on nuclear fuel provided from Kazakhstan. Kazakh officials have always supported the right of other countries to pursue nuclear energy for peaceful purposes.

Finally, since independence in 1991, the government of Kazakhstan has established a strong nonproliferation record. The new Kazakh government eliminated or transferred to Russia all the nuclear weapons it inherited from the Soviet Union. Kazakhstan has joined the Nuclear Non-Proliferation Treaty and the Nuclear Suppliers Group, which requires adherence to export guidelines designed to minimize proliferation risks. The Kazakh government has negotiated both a standard safeguards agreement with the IAEA and accepted the agency's more stringent Additional

Protocol, which grants IAEA staff additional inspection and monitoring rights. Finally, it has worked with the IAEA and the U.S. government to strengthen the safety and security of its nuclear plants.

Yet, certain domestic and international concerns about Kazakhstan's hosting a multinational nuclear fuel bank persist. Public opposition to nuclear activities remains high in Kazakhstan given the horrific legacy the country inherited from the Soviet Union. During the Cold War, the Soviet government used the Semipalatinsk facility in eastern Kazakhstan to test hundreds of nuclear bombs, which polluted much of the surrounding environment and left thousands of people suffering adverse medical consequences. Timur Zhantikin, chairman of the Kazakh Atomic Energy Committee, said that ensuring ecological and environmental security would be the government's principal concerns in deciding a location and construction program for a possible nuclear fuel bank. Even so, some domestic groups express unease that the government might keep the facility's operations secret and conceal any risks and accidents.

Some foreign observers might worry about the close ties the Kazakh government enjoys with Russia and Iran, especially since Moscow and Tehran are seeking to develop a robust nuclear partnership. The recent scandal surrounding the arrest of the head of Kazatomprom, the national nuclear monopoly, and some of his associates has reinforced concerns that corruption might contribute to the diversion of sensitive nuclear materials to criminals or terrorists. Nuclear experts also doubt whether the Kazakh government can train a sufficient number of skilled operators to manage the rapid expansion of the national nuclear industry envisaged by current plans.

Problems also exist with the CANWFZ. Beijing and Moscow have pledged to support the zone, but France, Great Britain, and the United States have declined to sign the CANWFZ Protocol until the treaty signatories address certain objections. These Western governments are most concerned that the treaty text allows Russia to move nuclear weapons in or through the zone because it declares that the proposed NWFZ would not affect the rights and obligations that its members might have assumed under prior accords, which could include the Collective Security Treaty (CST). The CST could be read as placing the Central Asian countries under Moscow's nuclear umbrella.

CONCLUSIONS: The Ministry of Foreign Affairs of Kazakhstan issued a very critical statement after the recent North Korean nuclear test. The Ministry "strongly condemns the practice of conducting of nuclear tests" and warned that North Korea's action "will have a very negative effect on the process of global non-proliferation and is a threat to security, both regional and global." It urged North Korea to return to the Six-Party Talks on Korea's denuclearization. The disputes over North Korea, Iran, or the CANWFZ continue, but the expectation is that the establishment of multinational nuclear fuel banks, perhaps including one on Kazakh territory with strong international support and safeguards, might avert new ones.

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YEREVAN MUNICIPAL ELECTIONS DEEPEN THE POLITICAL CRISIS IN ARMENIA

Blanka Hancilova

On May 31, the first Yerevan mayoral elections were bitterly contested by the ruling Armenian Republican Party and the opposition Armenian National Congress, represented by the first president of independent Armenia, Levon Ter-Petrosyan. The elections were marred by numerous violations, including vote buying and instances of violence and voter intimidation. Predictably, according to the official results, the Republican Party secured a landslide victory and the mayoral office. The results were not recognized by the main opposition, the Armenian National Congress, which announced that it will permanently boycott the Yerevan City Council.

BACKGROUND: The Yerevan City Council elections took place at a time of continued tensions between the regime and the opposition represented by an alliance of political forces – most prominently the Armenian National Congress, headed by Levon Ter-Petrosyan.

In the February 2008 presidential elections, Ter-Petrosyan was able to consolidate significant parts of the so far extremely fragmented opposition and came to represent an alternative to the regime with its candidate, then-Prime Minister Serzh Sargsyan. Following the presidential elections, which were marked by serious violations, Ter-Petrosyan's supporters rejected the official results declaring victory for Serzh Sargsyan and organized street protests. During the night of March 1-2, 2008, violent clashes broke out between the police and the opposition, leaving 10 dead. The regime reacted by announcing an emergency and imprisoning over 100 supporters of the opposition, 55 of whom were still in prison as of June 2009. These developments seriously exacerbated the divisions in the Armenian society.

The two bodies investigating the March 1-2 events – a parliamentary inquiry committee representing government parties and a five-member Fact-Finding Group which was

established in October 2008 by President Serzh Sargsyan upon the Council of Europe's insistence and which unlike the parliamentary committee includes members of the opposition – have yet to publish the results of their work. The Fact-Finding Group was effectively paralyzed in mid-May by tensions between pro-government and pro-opposition representatives over a leaked confidential report detailing the circumstances of the death of one of the two policemen killed in the clashes with demonstrators on 1 March. Several court cases of imprisoned opposition supporters are running into trouble lately as witnesses have recalled their earlier statements, asserting that they were coerced by the police to falsely incriminate the accused.

The broad coalition government composed of the Republican Party of Armenia, Prosperous Armenia Party, Armenian Revolutionary Federation and the Rule of Law party that came into being in April 2008 has made economic development and poverty reduction the cornerstone of its program. However, in the first four months of 2009, Armenia experienced a 9.7 percent GDP contraction fueled by a 48 per cent fall in industrial exports (mining and metallurgy) and a 42 per cent contraction in the

construction sector. These unfavorable developments led the Armenian government to seek external financial support from the IMF, the World Bank and Russia. The World Bank expects an increase in poverty rates of 4 to 6 percentage points by 2010, from a base of 22 per cent. Rising poverty is likely to further exacerbate tensions in society, where the inequitable distribution of wealth presents a growing problem.

Further, the regime was weakened by the late April departure of the Armenian Revolutionary Federation from the coalition due to irreconcilable disagreements with the regime's Turkey policy. The decision to leave the coalition was triggered by the 'roadmap' for normalization of Turkish-Armenian relations announced on April 22.

The election campaign was marked by attacks on Armenian National Congress campaigners, but also repeated clashes between supporters of the two largest governmental coalition parties (the Republican and Prosperous Armenia parties). These incidents highlighted growing tensions between the Republican party, led by President Serzh Sargsyan, and the Prosperous Armenia party headed by influential tycoon Gagik Tsarukian, who is believed to be close to former President Robert Kocharian.

According to official results, 53 percent of eligible voters cast their votes and the ruling Republican Party of Armenia won 47.4 percent of the vote. The junior coalition partner of HHK, the Prosperous Armenia Party, came in a distant second with 22.7 percent of the vote.



(The Armenian Reporter)

The main opposition Armenian National Congress got 17.4 percent of the vote, well below its expectations. The Orinats Yerkir (Rule of Law) party and the Armenian Revolutionary Federation got 5.2 percent and 4.7 percent respectively, failing to clear the threshold for representation.

IMPLICATIONS: The elections were the first municipal elections since the first Constitution of independent Armenia was adopted in 1995. Until now, the President appointed and dismissed the mayor of Yerevan upon the recommendation of the Prime Minister. However, the November 2005 amendments to the Constitution set a four-year deadline to adopt a law on the city of Yerevan, which would provide for an elected mayor. Accordingly, the Law on Local Government of Yerevan City was adopted in December 2008. Based on this law, the city is to be governed by a 65-seat City Council ("Council of Elders"), members of which are elected for four-year



(ArmeniaNow)

terms under a proportional system from party lists. The top candidate on each party's list is their candidate for the post of mayor. There is a 7 percent threshold for individual political parties and 9 percent for alliances. The City Council then elects the mayor with a simple majority of votes; he then appoints the Heads of twelve Administrative Districts who will replace the previously elective Community Heads.

The elections were important because over one-third of the total electorate and over half of the economic potential of Armenia are concentrated in Yerevan. Powers attached to the post of Mayor would pave the way for the incumbent to become a key political actor in Armenia capable of challenging the President and the Government. Having secured more than 40 per cent of the popular vote, the top candidate of the Republican Party of Armenia, current mayor Gagik Beglaryan (who is also a

member of the Board of the Republican Party of Armenia) will be reinstated.

Accounts of election conduct vary widely. The Armenian National Congress and the opposition party Zharangutyun (Heritage) decried widespread election fraud, especially vote buying and the bussing of allegedly bribed voters by the Republican Party of Armenia and the Prosperous Armenia Party, and numerous instances of violence and ballot box stuffing. Also the Armenian Revolutionary Federation has not accepted the legitimacy of the official results. Unsurprisingly, the ruling Republican Party of Armenia maintained that the polls were largely free and fair. Similarly, the Central Electoral Commission and the Office of the Prosecutor-General found most of the allegations of fraud baseless. President Serzh Sargsyan said that the elections marked a "serious step forward" in the elimination of Armenia's culture of electoral fraud.

The Office of Democratic Institutions and Human Rights of the Organization for Security and Cooperation in Europe was not invited to observe these elections. Observers from the Council of Europe's Congress of Local and Regional Authorities concluded that the municipal elections in Yerevan were largely democratic despite some "serious deficiencies", which "had some influence on the final results, but not to the extent that the legitimacy of the final results was prejudiced, as far as we could see at this moment in time." This assessment was strongly criticized by representatives of civil society, media and opposition. The Armenian chapter of Transparency International said that their representatives had witnessed instances of violence against observers, journalists and various other kinds of electoral fraud. The harsh critique voiced by Armenian civil society and mass media against

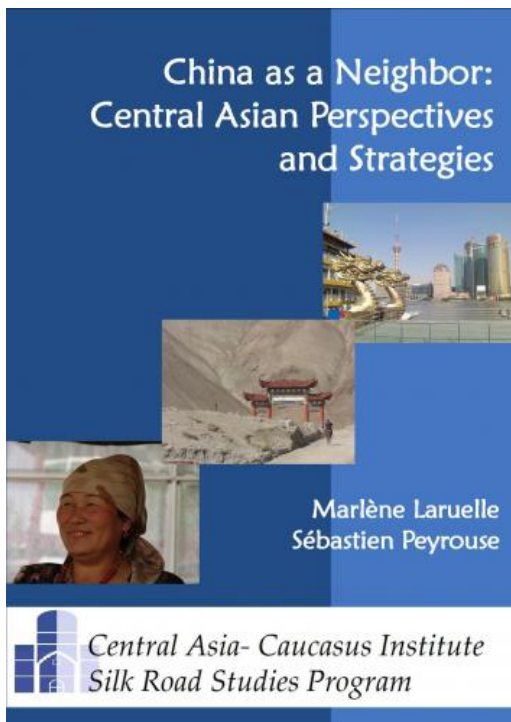
the Council of Europe's Congress of Local and Regional Authorities' assessment of the elections testifies to the former's growing sentiment that the 'West', including human rights organizations such as the Council of Europe, does not care about the fate of democracy in Armenia.

CONCLUSIONS: The May 31 elections have deepened the protracted internal political crisis between the ruling regime and the Armenian National Congress. Following the elections, the Congress announced that that with these elections Serzh Sargsyan has closed the path of dialogue, that it will boycott the City Council and that it does not rule out initiating civil disobedience actions. Surprisingly, the Armenian Revolutionary Federation approved

the Armenian National Congress' decision to boycott the municipal assembly. It remains to be seen whether these two forces will be able to cooperate given the resentment between the ARF and Ter-Petrosyan, who banned the party in 1994.

While the opposition continues to be relatively fragmented, the regime is failing to consolidate its power amid lack of progress in detente with Turkey, negotiations over Nagorno Karabakh and deepening economic recession. At the same time, it is far from clear whether the opposition offers a feasible alternative.

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New Book:

*China as a Neighbor: Central Asian
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CONSTRUCTION BOOM AND BANKING CRISIS IN KAZAKHSTAN

Alima Bissenova

In the years following financial liberalization, Kazakhstan has seen a spectacular construction boom and an inflation of real estate assets, driven by internal and external investment. The country has boasted the highest per capita foreign investment and the most developed banking system in the CIS. From 1999 to 2007, the economy displayed steady GDP growth of about 10 percent per year. However, the country's achievements in attracting foreign capital and developing its financial sector are now seen as a mixed blessing. The banking sector of Kazakhstan, which is in a deep structural crisis, has been accused of inflating the housing bubble through extensive external borrowing and aggressive lending policies.

BACKGROUND: For Kazakhstan, the privatization of the real estate market surprisingly did not bring the stability with which home ownership is associated. During Soviet times, people lived in one place for decades even though they did not own their homes. After privatization, people could suddenly sell and buy real estate, which had tremendous effects on people's mobility and caused attitudes towards housing as something rather temporary. People could invest and capitalize on their property. They could rent it, make choices about where and how to live, and make any kind of remont (renovation). In one sense, this was a freedom from the previously authoritarian distribution system. However, since prices on the post-Soviet real estate market, especially in the capital cities, grew much faster than salaries and wages (from its lowest point in 1999 to its peak in 2007 the housing price index has grown more than 25 times), this freedom brought more anxiety than liberation. People were in constant motion trying to improve their housing situation, renovating, calculating the best housing options, seeking loans and investment opportunities in housing. The capitalization of

the real estate market affected not only Astana, Almaty and Atyrau, where the bulk of construction projects were concentrated, but also the provinces. The boom instilled in people a sense of opportunity and urgency to "do something" with their assets.

Today, big players like banks are routinely criticized for pumping money into the housing bubble and construction. The big players should not be acquitted of the responsibility they bear. However, it should be noted that although the real estate and construction boom was economically a result of the influx of capital and banks were instrumental in channeling it, it was also culturally and socially a result of the desires for buying new and different types of housing unimaginable under socialism.

The government hoped the construction boom could become a locomotive for the country's development, improving people's living and housing standards, creating jobs, and even stimulating industrial output in related spheres such as construction materials production. Today, all of these hopes are in question due to the volatile connection between construction and short and medium-term foreign capital.



According to the Kazakh National Central Bank, the increase in the country's external debt in previous years (from 2003 to 2007) was mainly due to the banking sector's borrowing, which by the end of 2008 had totaled US\$40 billion. A significant

part of the capital invested in construction came from international financial institutions, lending money to Kazakh commercial banks, which in turn lent it as home, consumer, and SME (small and medium enterprise) loans. The global financial environment of cheap credit and competition among national banks encouraged dependence on short- and medium term borrowing through the bond market, rather than dependence on banks' own internal deposits and savings. In this quantity-driven environment, the way to success was through more borrowing abroad and more lending at home while quality became a secondary matter.

"These cities smell of money," visitors from other Central Asian republics used to say when describing the urban boom in Almaty and Astana. But this was before the bust. Today, the skyline of both capital cities features unfinished construction and idle cranes. The largest bank, Bank TuranAlem, with foreign liabilities of over US\$15 billion has been taken over by the

government and the three next banks have received "stimulus" packages worth US\$3 billion. The "national character" of the real estate and construction boom in Kazakhstan in 2002-2007 was that many people had invested in so-called "share-holding participation" (dolevoe uchastie) agreements in housing projects that would have to be built in a period of 1-2 years after the investment was made. However, when the financial crisis hit Kazakhstan, many of these investors/buyers were left with unfinished housing as many construction companies went bankrupt before completing their projects. The government was forced to urgently design mechanisms to bail out construction companies and complete the unfinished housing projects.

Implications: Today, Kazakhstan displays all signs of a full-fledged banking crisis. The ratio of non-performing loans in the banking system has reached 10 percent; the bank rescue operation has already cost US\$4 billion of public funds (about 4 percent of GDP). In addition, the government has had to increase generalized deposit guarantees from 700,000 to 5 million tenge (about US\$ 33,500) to avoid self-fulfilling bank runs when people en masse start withdrawing their deposits from the banks. At the same time, the government refused to exchange commercial banks' debt for sovereign debt, even for BTA bank in which the state now holds a 75 percent majority stake, and recently the foreign investors have agreed to restructure debt payments in three leading banks, including BTA.

Apart from rescuing the largest banks – a measure which provoked strong criticism in the country – the government has adopted a comprehensive support plan for the whole economy. The plan, announced in November 2008, promised US\$4 billion to support the

banking system, US\$3 billion to prop up the real estate market (1 billion of which will go to refinance mortgages), US\$1 billion to support small and medium businesses, US\$1 billion to develop agriculture, and US\$1 billion to implement infrastructural and industrial projects.

The three billion dollars allocated for stabilization of the real estate market demonstrate the importance of the “housing question” for both the market and social well-being. The program is intended to complete unfinished construction, let municipal authorities buy surplus housing, and refinance struggling homeowners. Interestingly, the criteria for mortgage refinancing and bailout is based on a differentiation between people who had a “real need” for buying an apartment and using it for their own consumption, and people who use newly purchased homes for personal investment, rent seeking, and possibly speculation purposes. This type of public policy is not at all surprising, taking into account the socialist heritage when housing was distributed on the basis of need and merit and was not for capitalization. The government pledged to refinance the home owners who own only one apartment/house of a size less than 120 square meters. (ca. 1200 sq.ft.)

The future of the stimulus plan is dependent on whether Kazakhstan has enough money to stimulate demand throughout the economy and sustain credit supply while the global credit crunch continues. Before the crisis, the country maintained the National Oil Fund of oil revenues accumulated since 2000 as a safety cushion. Together with Kazakhstan’s Foreign Exchange Reserve, these reserves were worth US\$47 billion in November 2008. In the short period since then, however, the country has lost

US\$4 billion of the Foreign Reserves while trying to protect the national currency against devaluation and has used US\$10 billion of the National Oil Fund for the stimulus package.

So far, Kazakhstan is managing to spend its way out of the crisis. If worse come to worst, the country can always apply for the IMF emergency loans, which have generously been helping Central and East European countries in similar distress. This has not happened so far, despite the predictions of international experts. Instead, both Kazakhstan and Russia have turned to China, indicating the shifting alliances and tarnished trust in the Western financial system in this part of the world.

CONCLUSIONS: As the Kazakh government and people reckon with the excesses of the boom period, the question of how to differentiate between real development, addressing real human needs, and the speculative “bubble” feeding on a combination of predatory financial schemes and groundless expectations, becomes increasingly important for policy-makers and regulators all over the world. Although the bubble and its burst indicate that fraud and speculation is involved, the construction boom in Kazakhstan is not just a ponzi scheme. In the end, constructions and infrastructure will be produced which will serve the needs of the people living there. As the Prime Minister of Malaysia once remarked in response to a question concerning the speculative nature of the Malaysian economy after the South-East Asian financial crisis, “What you see are very solid buildings, roads, harbors, airports. It cannot be a mirage.”

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FIELD REPORTS

RESETTLEMENT FOR THE ROGUN DAM RESERVOIR BEGINS IN TAJIKISTAN

Alexander Sodiqov

In late May 2009, Tajik authorities resettled the first 232 families from three villages in the projected inundation zone of the massive Rogun Dam. These more than one thousand people from Nurobod District in the rocky Rasht Valley were relocated to Dangara District, a cotton growing area in southern Tajikistan. The resettlers neither had an opportunity to stay in their native area nor could they choose where to move. Despite serious opposition from downstream Uzbekistan and an inability to find investors to complete the US\$3.2 billion dam project, Dushanbe is determined to continue the resettlement and begin filling up the Rogun reservoir as early as in December 2009.

While the Tajik authorities press ahead with the construction of the Rogun Dam, they should be aware of possible social, economic and security implications of a rushed resettlement. Tajik political analyst Holmamad Samiev suggests that the relocation of people from one region to another, particularly amidst the economic downturn, is a very sensitive issue in a country that experienced a civil war with a strong interregional component. According to the scholar, there is little doubt in the country about the economic and political importance of the completion of the Rogun Dam. However, without a coordinated and effective resettlement policy based on the needs of the affected populations, the construction of the dam might lead to dire consequences.

The major reason for caution is the role that popular dissatisfaction with the resettlement component of the Rogun Dam project played in the events leading up to the civil war in Tajikistan in 1992-1997. Soviet

planners widely used forced resettlement schemes to provide labor-intensive cotton production in southern Tajikistan with workers from mountainous regions. The majority of resettlers came from the Rasht Valley (also known as Gharm). In most cases, displacement and forced migration led to serious social and economic impoverishment as well as adverse health effects. The opening up of the Soviet system in the late 1980s enabled Gharmi communities to oppose involuntary resettlement schemes. The debate around the Rogun Dam project, which required the displacement of some 30,000 people across the Rasht Valley served as a focal point for the political mobilization of the Gharmi people. Grievances generated by the experience of forced resettlement and popular resistance to displacement contributed greatly to the confrontation between the governing elites and underprivileged Gharmi communities, ultimately leading to civil war in Tajikistan.

Kiyomiddin, an activist of the Islamic Revival Party of Tajikistan (IRPT) in Gharm who asked not to disclose his surname, suggested that in initiating the current resettlement scheme the Tajik government has ignored "the lessons of the early 1990s". According to him, following the war Gharmis were effectively marginalized from the political process. Therefore, the governing elites decided to implement resettlement without even consulting the affected communities. "The Government is moving more than one thousand Gharmis to live with Kulyabi communities in Dangara," said Kiyomiddin. "Fifteen years ago these people were

killing each other. They have not forgotten old hatreds... This is very dangerous”.

Today, resettlement is very likely to leave the displaced communities worse off economically and socially than they used to be prior to the move. First, resettlers have lost access to a familiar natural resource base and will face difficulties in getting used to a new environment with a drastically different climate and resource base. Second, although the move was planned far in advance, very little has been done to prepare the resettlement area. The village of Chorsada, which has accommodated the first wave of resettlers, resembles a spontaneous refugee camp rather than an organized settlement. People live in tents and wait for construction materials promised by the authorities to begin building their new houses. The village does not have a reliable water supply. Mustafo Muazzamov, head of NGO Nihol working with the resettled, said most people in the village are very pessimistic about their future. “They do not know whether they will be able to build new houses by winter. They also do

not know where they will work. Most of these people will not be able or willing to work on the cotton fields.”

Much will now depend on the ability of Tajik authorities to assist resettled people in reconstructing their livelihoods. This ability is limited by the economic impasse the country finds itself in. The global economic downturn has had a strong impact on Tajikistan through declining remittances and falling prices for its key exports, cotton and aluminum. In addition, the country’s resources have been strained by natural disasters. Torrential rain in the spring caused floods and mud flows which have displaced over 15,000 people across the country, destroyed more than 3,600 houses and damaged 14,000 hectares of agricultural land. In this situation, Tajik authorities have little other option than to leave the resettled to tend for themselves. However, such inaction might further alienate the resettled and make them seek justice from radical religious groups and underground political movements.

ATTACKS IN KHANABAD AND ANDIJAN: WHAT IS TRUE?

Erkin Akhmadov

On May 26, 2009, Uzbek troops were deployed on the border with Kyrgyzstan. The alert on the border was caused by unknown extremists attacking a border post on the Uzbek-Kyrgyz border, as well as the National Security Service and Internal Affairs Administration buildings in the city of Khanabad in the Andijan region. Later during the day, a suicide bombing took place in the city of Andijan. The attack was claimed by the Islamic organization “Islamic Jihad”, which claimed it was directed against President Karimov and his actions against the Muslims of Uzbekistan. While investigations on the identity of the attackers, the causes of the attack and further activities in relation to the incident are yet underway, most of Uzbekistan’s population does not have proper information about it. Moreover, the mobile phone network and the

internet were blocked in Khanabad the day after the attack. The information vacuum results in a number of versions which interpret and explain the attacks in Khanabad very differently.

Exactly because there is little reliable information available and not one official report on the incident, the variety of speculation about the incident is enormous. Firstly, it is unclear how many attackers there were. Some sources suggest five to twenty individuals; Uzbekistan’s Prosecutor General’s Office claims there were just two or three, and residents of Andijan say there were no more than ten attackers. Similar ambiguity concerns the number of places that were supposedly attacked and the weapons used. Thus, the official statement of the Uzbek authorities mentions only the attacks on

the border post in Khanabad and the buildings of the Security Service and Internal Affairs Administration, and the suicide attack in Andijan. However, other sources suggest that there was also an exchange of fire in the Kurgantepe district in the Andijan region. Finally, the most controversial issue is the origin of the attackers, as the Uzbek authorities assume that attackers are members of the Islamic Movement of Uzbekistan (IMU). Local witnesses, however, testify that the attackers spoke a foreign language and had a translator. In combination with these assumptions, the “Islamic Jihad” claim to have organized the incident adds even more confusion to the situation.

As a result of the exchange of fire, the border between Kyrgyzstan and Uzbekistan was closed for security reasons. However, other issues seem involved too. The Uzbek authorities stated that the attackers presumably came from Kyrgyzstan – an assumption that was not welcomed by the Kyrgyz side. The head of the Kyrgyz border-guard service, T. Mamytov, said such accusations are unreasonable. Perhaps Uzbekistan made such assumptions because it suspects that the attackers belong to the IMU, and an IMU intrusion into Uzbekistan was carried out from Kyrgyz territory in 2000. In any case, establishing this fact is important for Uzbek authorities as it would shed light on whether the incident involves a new organization or the revival of old religious extremist groups in the region.

Another issue of concern is the number of victims as a result of the attacks. For instance, official

sources suggest that during the exchange of fire on the border post in Khanabad, one member of the police and one of the attackers were shot. Another policeman died as a result of the suicide bombing in Andijan with several civilians injured. However, on May 27, the morgues of Andijan region reported having received sixteen bodies. Thus, it is unclear how many victims the attacks claimed.

Last but not least, a remark circulating in local media is about the “strange” coincidence of the events and places. The infamous ‘Andijan events’ of 2005 took place almost exactly four years ago. Since the events were associated with an uprising of religious extremists, four years later the Andijan region seems to remain the main target of radical forces in Uzbekistan. Another coincidence concerns the seeming thaw in Uzbekistan’s relations with the United States and the possibility of an American airbase on its territory to assist the operations in Afghanistan. Some experts assume that the attacks in Khanabad and Andijan represent attempts of the IMU to block access of anti-terrorist forces to Afghanistan through Uzbekistan.

The variety of opinions and guesses about the executors of the Khanabad and Andijan attacks, their origins and reasons to attack is astonishing. Nevertheless, the credibility of any one of them has not been verified. The scant pieces of information provided by Uzbek officials scarcely cover the scope of the incident. Perhaps the spread of rumors could be stopped by an official reaction of the Uzbek authorities on the incident. Such a reaction is, however, remains to be provided.

WHOSE ‘SPHERE OF INFLUENCE’? EASTERN PARTNERSHIP SUMMIT IN PRAGUE

Karoly Benes

On May 7, 2009, European leaders gathered in Prague to sign a Joint Declaration on the Eastern Partnership (EaP), planning to foster closer political and economic ties with six former Soviet states;

Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The Eastern Partnership, a joint Polish-Swedish initiative, aims to bring democratic reforms, trade liberalization and a visa facilitation

process for the involved partner countries, through bilateral and multilateral mechanisms. The initiative has met strong Russian condemnation, as President Dmitry Medvedev's opinion showed: "We tried to convince ourselves [that the EaP is harmless], but in the end we couldn't. What bothers us is that for some states this is seen as a partnership against Russia."

To ease Russian fears, EU leaders participating in the Summit were eager to emphasize the fact that Eastern Partnership is not directed against any country. EU High Representative of Common Foreign and Security Policy Javier Solana said: "This project is not against anybody, whoever thinks it is against somebody is wrong." Paradoxically, it seems that the more the EU tries to brush away the Russian doubts, the less Moscow believes that the Partnership is not intended to interfere its 'sphere of interests'. According to Russian Foreign Minister Sergei Lavrov: "There are those who may wish to present the invited participants [to the EaP Summit] with the choice: either you are with Russia, or with the European Union." Czech Prime Minister Mirek Topolánek rejected these allegations: "The current political climate in Europe is not comparable to the Cold War era. I used to live in the Soviet block and it was not of my own free will. These countries have decided to participate of their own free will, so I see a real difference there." Deputy Prime Minister Alexandr Vondra also expressed his opinion: "They are our close Eastern neighbors and we have a vital interest in their stability and prosperity. This is an offer, not an EU projection of force."

Despite the eminent EU interest to facilitate the stability in its Eastern neighborhood, like the South Caucasus, fostering democratic transition and economic cooperation, the common protocol picture taken of the heads of states at the Summit was skimpy, since 'big names', such as Nicolas Sarkozy, Gordon Brown, and Silvio Berlusconi stayed away from Prague on that particular day. It was especially noteworthy that almost all heads of the Mediterranean EU states were absent (including Cyprus, Italy, Malta, Portugal and Spain), which is

telling of the fact that they see the Eastern Partnership either with indifference, or as a competitor to the French-brokered Union for Mediterranean, competing for the same financial sources under the umbrella of the European Neighborhood Policy. According to some rumors, French President Nicolas Sarkozy's absence was a retaliation for Czech Prime Minister Topolánek having skipped the Mediterranean Union summit in Paris last year.

However, Berlusconi had a better reason to stay away from Prague, sending his Minister of Welfare to represent Italy. Less than two weeks after the summit, he met with Vladimir Putin at the Black Sea resort of Sochi to sign a contract on the Russian South Stream gas pipeline project, which aims to transport gas from Russia to the European market bypassing Ukraine, and to double its planned capacity from 31 billion cubic meters per year to 63 bcm, as requested by Italian energy giant ENI. In the light of this development it is not surprising that Berlusconi did not intend to participate in the Eastern Partnership Summit, and the 'Southern Energy Corridor Summit' that followed on May 8. The Corridor is intended to decrease the EU's energy dependence on Russia, fostering cooperation between the EU and the partner countries in the field of energy security and facilitate the EU's Nabucco gas pipeline project, a natural rival to the South Stream project.

Partner countries also have diverging expectations toward the Eastern Partnership. While Ukraine and Georgia have explicitly been seeking EU membership, the Eastern Partnership perspective could be insufficient for them compared to bilateral negotiations on accession. Belarus, Armenia and Moldova have stronger ties with Moscow, and may find the Eastern Partnership too ambitious. Belarus President Alexander Lukashenko's participation in the Prague Summit had been controversial since the idea of the country's involvement in the Partnership emerged. Finally, making a clever choice, he stayed away from the Summit, thus avoiding inconvenient questions concerning his authoritarian regime. Moldova's communist leader Vladimir Voronin was

also absent, due to the violent police crackdown on demonstrations following the elections in April, which were sharply condemned by several EU members.

One of the main purposes of the Eastern Partnership's multilateral mechanism is to build mutual understanding and trust among the involved states, a primary example being a bilateral meeting between the Armenian and Azerbaijani leaders on

the Nagorno-Karabakh conflict, held on the margins of the Summit.

Despite difficulties and diverging opinions, the Eastern Partnership was officially launched with the Prague Summit. The multilateral framework of the cooperation has been set up and the main objectives have been defined. Now, it is Sweden's turn to take over the management of the project, taking over the EU Presidency in July 2009.

EMOMALI RAHMON ANNOUNCES FIGHT AGAINST PERSONALITY CULT

Suhrob Majidov

Tajikistan's President Emomali Rahmon has ordered the removal of his pictures from offices, public places and roads. However, the order concerns only those pictures where Emomali Rahmon is portrayed with representatives of local authorities. As the President's Press service announced, "The President ordered to remove pictures and carpets which portray the President of the Republic of Tajikistan together with heads of local administrations from offices, public places and roads, with the aim to prevent servility and misunderstanding from the population".

This initiative is not unique. Emomali Rahmon has repeatedly requested his bureaucracy to refrain from ostentatious praising of the President. This order is already the third one aimed at preventing servility and a personality cult. Previous orders of the President to remove his pictures from public places were given in 2001 and 2002. This year, the President went even further and ordered "to remove all signs of gratitude towards heads of cities and districts placed on historical monuments, memorials and mausoleums". Moreover, local authorities were instructed "henceforth, to coordinate any placement of Emomali Rahmon's portraits in public places with the Executive Office of the President".

The efforts of the President to struggle against servility and personality cult seem unusual, as images glorifying national leaders are common in the Central Asian region. Thus, the practice of a personality cult is common among the leaders of the region. For instance, the late ruler of Turkmenistan, Saparmurat Niyazov, was famous for declaring himself "The father of all Turkmen" and building a golden monument for himself. The President of Kazakhstan, Nursultan Nazarbayev, has two museums in his honor. The same can be said about Tajikistan where images of Emomali Rahmon can be found in every office, public place and even along the roads. For instance, there are seven huge banners with the President's portrait in the small central street of Khujand city. Furthermore, no criticism may be expressed about the President in media sources, and state officials refer to him and address him only as 'esteemed'. Therefore, this 'modesty' initiative of the President raises questions about its true intentions, as it may seem unlikely that he indeed aims to struggle against the personality cult.

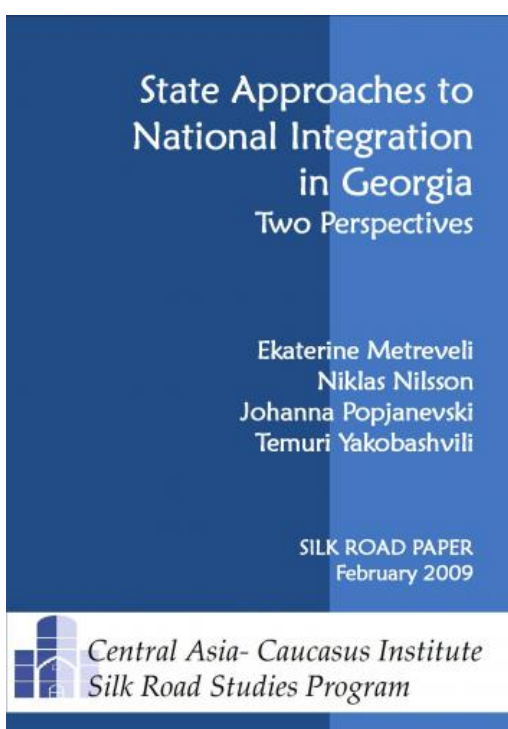
Some experts claim that this denouncing of the personality cult is yet another way to increase the President's popularity. Others say that there is nothing unusual in the President's new initiative, since Emomali Rahmon is famous for his eccentric

initiatives. For instance, he prohibited pupils and students from using mobile phones in school and to come to school or University by car. He prohibited school-leaving and graduation parties and introduced restrictions on pompous wedding and funeral ceremonies. Finally, he proposed that authorities sell their cars and deposit the money into building hydro-power stations.

However, most experts argue that the President simply does not want to share his fame with local authorities. The issue is that local leaders try to increase their popularity by placing huge banners portraying Emomali Rahmon with themselves in their districts exactly because the President enjoys the support of the wider public. In this way, local leaders try to accentuate their closeness to the head of state in the eyes of the population, as well as in the eyes of other authorities. Sometimes, however, such behavior of local officials is explained by simple servility. The officials naively believe that they can please the President by placing more pictures featuring him. Political expert Parviz Mullojanov supports the idea that the President's new initiative is an effective method to eliminate the 'new fashion' of displaying local officials with

Emomali Rahmon. He argues that the "new initiative is the only way to overcome the rapidly growing servility".

Even though the President's order to remove his portraits from public places and offices may be an appropriate measure to prevent the development of a personality cult in Tajikistan, it surprisingly does not touch upon the removal, or at least reduction, of most of the President's pictures. A great number of those are placed in public buildings and along the roads. Thus, the President's order targets only the pictures of Rahmon where he is portrayed together with other officials. Hence in one sense, the initiative may not be a struggle against the personality cult but quite the opposite, the President's struggle to secure a fame that he is not willing to share with others. The order, therefore, illustrates how in times of severe economic crisis, increased corruption, high unemployment and other economic and social problems that the citizens of Tajikistan face, the President is concerned about attempts of the local authorities to sneak into his fame and use his face to gain power.



New Silk Road Paper:

State Approaches to National Integration in Georgia: Two Perspectives

**By Ekaterine Metreveli, Niklas Nilsson,
Johanna Popjanevski, and Temuri
Yakobashvili**

This Silk Road Paper examines Georgian national integration policies, with a view to identify key prospects and problems in Georgia's efforts to become a unitary state.

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NEWS DIGEST

BAKU RATIFIED DEAL WITH TOTAL

22 May

The Azeri Parliament ratified on Friday an exploration and development contract for the offshore Absheron field in the Caspian Sea with French company Total. Total takes a 60 percent stake in a joint venture with the State Oil Co. of Azerbaijan Republic from a contract signed between both parties in February. Estimated gas reserves at Absheron are believed to be on par with the massive Shah Deniz field, which holds estimated potential recoverable resources of roughly 15 trillion cubic feet of natural gas. Total reserves the option to sell its shares to Gaz de France Suez in the future while financing SOCAR's shares during the exploratory period at the Absheron field, the Trend news agency reports. Total and SOCAR will drill three wells at the site within the next three years. Azerbaijan boasts some of the largest gas fields in the world, with Baku expecting to produce as much as 1.1 trillion cubic feet of natural gas by 2011. (UPI)

AFGHAN FLOODS KILL 94, MAKE THOUSANDS HOMELESS

25 May

Heavy flooding and landslides have killed 94 people and left thousands of families homeless in northern Afghanistan since May 20, the United Nations has said. Some 8,000 houses in 207 villages have been totally or partially destroyed after heavy rain across five provinces, affecting 13,689 families, the UN Office for the Coordination of Humanitarian Affairs (OCHA) said in a statement. The flooding damaged more than 100 bridges and around 600 kilometers of roads. Around 30 people were also killed by flooding in northern areas of the country earlier this month. The mud-built homes that house most Afghans in rural areas are particularly vulnerable to natural disasters in a country at risk from earthquakes, floods, and landslides. (Reuters)

TAJIK URANIUM PLANT OFFICIALS ARRESTED AS UZBEK SPIES

25 May

Three top officials at Tajikistan's major uranium-processing facility in the northern city of Khujand have been arrested for allegedly spying for Uzbekistan, RFE/RL's Tajik Service reports. Sources at Tajikistan's security service told RFE/RL that Vostokredmet's chief engineer, Aleksandr Botov; the facility's internal security chief, Matin Ziyoev; and an unnamed plant official were arrested and face espionage charges.

VostokRedMet also used to reprocess spent uranium but those activities ended with the demise of the Soviet Union. During the Cold War years, the facility also produced yellowcake for the Soviet nuclear power and defense industries. Several people in Tajikistan have in recent years been charged with spying for Uzbekistan. (RFE/RL)

AZERBAIJANI STUDENTS PROTEST DECISION TO CLOSE MOSQUE

25 May

Student activists in Baku prayed on May 22 in a mosque at Baku State University to express solidarity with the imam of the mosque, which faces closure by authorities, RFE/RL's Azerbaijani Service reports. The mosque's imam was warned on May 19 by Baku police that the mosque should end its activities by May 22.

Azerbaijani authorities have demolished two mosques and closed down one other in the past several weeks.

Azerbaijani officials say there are some 1,750 mosques in Azerbaijan, of which 500 have been officially registered. Yagut Aliyeva, spokeswoman for the State Religious Affairs Committee, told RFE/RL that the mosque should register with officials if it wants to avoid being shut down. She said all unregistered mosques in the country face closure. (RFE/RL)

KYRGYZ PRESIDENTIAL CANDIDATE SAYS EXTREMISM SENTENCES 'CRUEL'

26 May

An opposition Kyrgyz presidential candidate says the recent sentencing of 32 people for religious extremism is an act of "lawlessness and despotism,"

RFE/RL's Kyrgyz Service reports. In a statement, Almazbek Atambaev said that the citizens of the town of Nookat had an absolute right to demand that local officials allow them to mark the Islamic holiday of Eid al-Fitr in October. They were later accused of religious extremism and organizing an unsanctioned mass gathering. On November 27, the Osh Regional Court sentenced the defendants to prison terms ranging from nine to 20 years. The Kyrgyz Supreme Court last week upheld the verdicts but reduced the sentences to between five and 17 years. The defendants complained that they were severely beaten and tortured while in detention. Atambaev especially criticized the prosecutor in the case, who said at the trial that the phrase "Allah Akbar!" (God is great!) is criminal and unconstitutional. Atambaev says every Muslim starts his/her prayers and ends it with these words. He said such "senseless accusations and cruel verdicts demonstrate the willingness of the current Kyrgyz government to establish a police state in the country." (RFE/RL)

UZBEK TOWN OF KHANABAD ATTACKED BY EXTREMISTS – SOURCES

26 May

Around 20 people attacked the Uzbek law enforcement building in the town of Khanabad (in Andizhan region, on the border with Kyrgyzstan), according to Internet websites. Armed men attacked the building housing the local branch of Uzbekistan's National Security Service and the town's Police Department in Khanabad last night, websites said. Some sources said an explosive device was used, according to others

-a grenade launcher, the Internet media said. The national security building suffered the greatest damage. Early reports suggest that several law enforcement officers were killed, the reports said. The authorities in Tashkent did not comment on these reports. However, Uzbekistan closed the border with Kyrgyzstan.

According to unofficial sources, the attack on Khanabad was staged by religious extremists. Meanwhile, the Kyrgyz border guard authority says that initially Uzbek authorities unilaterally closed the Kyrgyz-Uzbek border the area between Khanabad in Andizhan region and the Dzhahal-Abad region in southern Kyrgyzstan. There is a border checkpoint between the two countries at Khanabad. But now the 1,375-kilometer-long border between the two countries has been closed

unilaterally along its whole length, the Kyrgyz border authorities said. "There were no skirmishes in Kyrgyzstan, the situation remains quiet in the south," he said. Meanwhile, a Kyrgyz law enforcement source told Interfax that the explosives attack in the early hours of May 26 was made on the police building in the Uzbek town of Khanabad in Andizhan region, though earlier reports said that the attack was made against the Khanabad customs office on the Uzbek side. (Interfax)

BAKU WARY OF NABUCCO OPTIMISM

26 May

Implementing the Nabucco gas pipeline to Europe requires overcoming "a range of difficult challenges," the energy minister of Azerbaijan said. "Azerbaijan agrees that the project is important and interesting, but indicates that the project participants are going to tackle a range of difficult challenges," said Natig Aliyev. Aliyev made his comments following a meeting with the European Union's special envoy for the South Caucasus, Peter Semneby. Europe is pushing aggressively for the \$10.7 billion project as a means to move away from Russian energy dependence. Planners hope Nabucco would bring gas from Caspian and Middle Eastern suppliers through Turkey and north to European markets. Aliyev said European partners in the project should resolve matters concerning gas supplies and transit agreements before the pipeline is considered ready to go, the Azerbaijan Business Center reports. (UPI)

GEORGIAN CHURCH LEADER: GIVE UP CATEGORICAL THINKING

26 May

An influential head of the Georgian Orthodox Church, Ilia II intervened in political standoff by hinting that the opposition should put aside demanding the President's resignation. "Part of our population is demanding President's resignation. I want to say that this issue is so complicated and generally, it has to some extent become a rule in our country, where the first president [Zviad Gamsakhurdia], the second president [Eduard Shevardnadze] was forced to resign. You know what these resignations have brought to us," Patriarch Ilia II said in his sermon in the Holy Trinity Cathedral. "Maybe, it would be more correct - it is simply my personal opinion- if we listen to each other; we should be capable to listen to everyone; we should listen to each other and accept

that good idea," he said. "Each person has his own opinion, but it does not mean that one should definitely carry out and fulfill that opinion. A person should listen to others and not only to one person and implement one, which is the best opinion," he continued. "A wise man was asked what was most dangerous and he responded: categorical thinking. Categorical thinking means that a person can not listen to others and he thinks that the truth is only in him and that this idea should be implemented. Very often we think that our decisions, our will are enough to implement this or that opinion. Today I want to bless the Georgian nation. It is frequent, when we regard a person with different opinions as a stranger. We should all remember that we all are brothers; there should be unanimity among us. Different opinions should exist, but it does not mean that they should definitely be implemented." "We are arrogant. Arrogance is characteristic to us. Arrogance is a terrible sin. Arrogance has ruined the angel and turned it into the devil. Only the Holy Trinity can cure it. We are now standing in the Holy Trinity and asking it to save us from this sin," Ilia II said. As the Patriarch was speaking thousands of protesters were gathered in a huge yard of the Holy Trinity Cathedral, where they arrived from the national stadium where the rally was held earlier on May 26. (Civil Georgia)

POWER OUTAGE SILENCES PRESIDENTIAL RIVAL

27 May

A blackout struck the opposition stronghold of Talas in Kyrgyzstan during the planned live broadcast of the Kyrgyz language test of opposition leader and presidential candidate Almazbek Atambaev on May 26, RFE/RL's Kyrgyz Service reported. The language test has been routine in the wake of Kyrgyzstan's independence with the breakup of the Soviet Union, and offered Atambaev an opportunity to speak directly to a national audience ahead of the July 23 presidential election. Atambaev supporters in Talas called RFE/RL to report the electricity outage, which they alleged was deliberate by authorities.

But a representative of the regional electric company blamed the power cut on technical difficulties. Atambaev used the 15-minute speech -- one of three official portions of the test -- to pledge that he would present an alternative to "family management" in Kyrgyzstan, a reference to the governing style of his incumbent rival, President

Kurmanbek Bakiev. Atambaev said the country's "biggest problem is not the global economic crisis, it's our own thieves who occupy our government." He added that his goal is to "fight against these thieves." (RFE/RL)

SARKISIAN OFFERS POSSIBILITY OF AMNESTY FOR OPPOSITION MEMBERS

28 May

President Serzh Sarkisian has said he will declare an amnesty for dozens of imprisoned opposition members if Armenia's leading political groups prove there is strong public support for such a move, RFE/RL's Armenian Service reports. Sarkisian's remarks come amid speculation over the possible release of some 55 supporters of opposition leader Levon Ter-Petrosian who were arrested and jailed following last year's controversial presidential election. An amnesty can be initiated only by the president and needs to be approved by the National Assembly. Speaking at the Sardarapat war memorial 40 kilometers west of Yerevan, Sarkisian called on public figures and political groups to submit proposals on the necessity and conditions of the amnesty. He said if a "desire" emerges as a result of their efforts, he will seek an amnesty. Aram Sarkisian, a top representative of Ter-Petrosian's Armenian National Congress (HAK), told RFE/RL that "It's very bad that Serzh Sarkisian doesn't know his people's feelings and desires and is thus unable to assess the situation in the country." "We have no need to appeal for anything. We ourselves will free our comrades," Aram Sarkisian added. The HAK regards the jailed oppositionists as political prisoners, while the Council of Europe Parliamentary Assembly (PACE) believes that at least some of them were prosecuted on "seemingly artificial or politically motivated charges." PACE, which has threatened to impose sanctions against Yerevan if the detainees are not freed, is expected to discuss the issue in June. (RFE/RL)

RUSSIA MUST NOT ECONOMIZE ON EMBASSIES IN CIS COUNTRIES - MEDVEDEV

28 May

President Dmitry Medvedev said the Russian embassies in countries of the Commonwealth of Independent States must be fully staffed. "The government is not active enough in dealing with CIS affairs. It's a long overdue problem," Medvedev told activists of the Liberal-Democratic Party at a meeting on Thursday, during which the

chairman of the State Duma's Committee for CIS Affairs and Ties with Compatriots Alexei Ostrovsky delivered a report. Medvedev said he had recently set up an agency for CIS affairs, but he did not comment on its work, as it was only recently formed. "I think working at embassies in CIS countries must be a matter of both prestige and benefit," he said. "These embassies must be fully staffed. Judging by the embassies of our partners in the world community, they are staffed by hundreds of diplomats. Our diplomatic contingents are very economical sometimes," he said. "One can't economize on that. Russia must be represented here at a befitting level," Medvedev said. (Interfax)

MUCH OF KYRGYZ-UZBEK BORDER STILL SHUT IN WAKE OF ATTACKS

29 May

All but a single Kyrgyz-Uzbek border crossing remain closed four days after two deadly attacks in Uzbekistan, including a shootout between police and unknown assailants near a border checkpoint, RFE/RL's Kyrgyz Service reports. The border was closed after shootouts in the eastern Uzbek cities of Khanabad and Andijon near the Kyrgyz border on May 25. The region has proven a trouble spot in the past, with a high density of inhabitants and persistent social and economic woes. Cholponbek Turusbekov, the deputy chief of Kyrgyzstan's border guards, told RFE/RL that Uzbek citizens in Kyrgyzstan are being urged to return to Uzbekistan and Kyrgyz citizens to return to Kyrgyzstan. Turusbekov said authorities are thoroughly checking the documents of all those passing through the only open border checkpoint. He said the attackers have not yet been detained. Uzbek authorities also provided Kyrgyz border guards with composite pictures of the alleged assailants based on eyewitness accounts. (RFE/RL)

GEORGIAN OPPOSITION TO REMOVE "CELLS" FROM FREEDOM SQUARE

29 May

Koba Davitashvili, leader of Party of People, which is among organizers of the ongoing street protests, said the opposition planned to remove improvised cells from Freedom Square by June 2. The opposition installed mocked-up prison cells on the Freedom Square as part of campaign of 'town of cells' on April 21 blocking the city's main square and nearby streets. Activists from the National Forum party have camped 'cells' up to now. The party, however, withdrew their activists few days ago after

it had decided to proceed further with its individual action plan with making focus on campaigning in the provinces. Koba Davitashvili, who has criticized National Forum for withdrawing from the rallies in Tbilisi, said in Rustavi 2 TV's weekly talk show, Position, that the opposition would move 'cells' from Freedom Square closer to the Parliament, which, he said, planned to hold a session on June 2. The parliamentary session has not been held since the launch of protests on April 9. 'Cells' are also installed on the Rustaveli Avenue at the Parliament, outside the presidential residence in Avlabari district and outside the government's office, close to the Parliament. (Civil Georgia)

RUSSIA AGREES TO NEW LEASE FOR KYRGYZ BASE

29 May

Russia and the former Soviet republic of Kyrgyzstan have negotiated a new 49-year lease for the Russian airbase in Kant. The agreement allows for automatic 25-year extensions, the Novosti news agency reported. The base, 25 miles from Bishkek, the country's capital, was established in 2003. About 400 Russian soldiers are stationed there with 20 aircraft. Russia pays \$4.5 million annually to lease the base. The previous lease agreement was for 15 years with five-year extensions. Kyrgyzstan and Russia are both members of the Collective Security Treaty Organization, along with the former Soviet republics of Armenia, Belarus, Kazakhstan, Tajikistan and Uzbekistan. President Kurmanbek Bakiyev ordered the closing of the U.S. base at Manas this year and banned troops from a long list of U.S. allies from deploying there. The base had been a major staging area for coalition forces in Afghanistan. (UPI)

RUSSIA LOBBIES FOR ENERGY TIES WITH BAKU

29 May

Parallel work in the energy sectors in Russia and Azerbaijan is important not only for southern Russian but for the region, the Russian energy minister said. Russian Energy Minister Sergei Shmatko spoke at a regular electrical power meeting in Baku on the importance of bilateral cooperation in the energy sector, the Trend news agency reports. "We believe there are good opportunities for parallel operation of our energy resources," the Russian minister said. Shmatko said complimentary technologies in the region created an environment for increased energy production and power

networks between the two countries. He noted at the meeting Friday that he would discuss with energy partners in Baku the possibility of constructing power networks between Azerbaijan and Dagestan, the southeastern most federal subject in Russia. Additional plans include the construction of hydroelectric dams. Azeri Energy Minister Natik Aliyev, for his part, said movement in the electrical sector in a regional project linking Russia, Azeri and Iranian networks could move Azerbaijan from an electrical importer to an exporter. (UPI)

AFGHANS PROTEST AGAINST CIVILIAN DEATHS IN FIREFIGHT

1 June

Dozens of people in northwestern Afghanistan have protested against civilian deaths, but local authorities say some elders in the area were to blame for helping a Taliban ambush. Residents of Bala Murghab district of Badghis Province say six civilians, including women and children, were killed during firefight between Afghan and Taliban forces. The deputy governor said only two civilians died, but added that local collusion with the insurgents made it hard for security forces to avoid innocent deaths during firefights. "We know that two people including a woman were killed," said deputy governor Abdul Ghani Saberi. "We ask the people not to shelter the Taliban." Saberi said that in a typical example of deceit earlier this week, local elders invited the government to attend peace talks but when a team arrived, they were led into an ambush that ended with the death of nine soldiers and some 30 insurgents. Local residents say they are not colluding with the Taliban for ideological reasons, just trapped between two sides and trying to survive in a war zone. "The government arrest and beat shopkeepers for selling groceries to the Taliban, but we are victimized by both sides," shopkeeper Haji Mohammad Shah told Reuters by phone. He said shops were shuttered, and locals protesting, because six people including a shopkeeper and his wife were killed during fighting between Taliban and government forces. The rising civilian death toll from operations to fight the Taliban insurgency has become an inflammatory issue, and is eroding support for the government of President Hamid Karzai and his foreign backers. Around 2,000 civilians were killed last year in insurgency-related violence, UN and aid agencies say, and public anger rose again last month when U.S. air strikes hit homes full of women and children. Karzai said 140 civilians died. (Reuters)

SIX AFGHAN CIVILIANS KILLED IN SUICIDE BOMBING

2 June

Six Afghan civilians, including two women and two children, were killed in a suicide bomb attack near the main base for U.S.-led troops in Afghanistan, the Interior Ministry said. With violence surging in Afghanistan despite rising numbers of foreign troops, a police spokesman in western Farah Province also said at least 10 Afghan guards working for a U.S. security firm were killed by Taliban fighters June 1. The suicide attack was near Bagram airfield, about 60 kilometers north of the capital Kabul, Interior Ministry spokesman Zemaray Bashary said. The civilians were travelling in a car on a road in the Sayad area about 5 kilometers north of Bagram, Bashary said. There were no details about the intended target or if the bomber was on foot or had used a car. There was no immediate claim of responsibility but roadside bombs and suicide attacks are common tactics used by the Taliban. Two Americans, including a soldier, were killed in an attack on a U.S. military convoy on a road leading to Bagram on May 20. The Taliban have spread their attacks in recent months out of traditional strongholds in the south and the east into previously more secure areas in the west and north and even to the outskirts of Kabul. The insurgency has grown even as the number of foreign troops has increased to almost 80,000 this year, with the period from late 2007 the worst since U.S.-led and Afghan forces toppled the Taliban's Islamist government from power in late 2001. In southern Helmand Province, one of the most dangerous in Afghanistan, British forces said they had killed a senior Taliban commander believed to be responsible for a series of suicide attacks against British and Afghan troops in the region. They said the commander, identified as Mullah Mansur, was killed in a strike by Apache helicopters early on June 1 near the provincial capital Lashkar Gar. One soldier from the NATO-led International Security Assistance Force (ISAF) was killed and two were wounded in an attack in eastern Afghanistan on June 2, ISAF said. No other details were released. Four ISAF soldiers were killed in two separate roadside bomb attacks in the east on June 1. In western Farah, provincial police spokesman Abdul Rahoof Ahmadi said the Afghan guards were ambushed by Taliban fighters in Bala Boluk district. The guards were providing security for supply

trucks for foreign troops, he said. Four of the guards' vehicles were also set ablaze. (Reuters)

WASHINGTON LAUDS AZERI ENERGY POTENTIAL

2 June

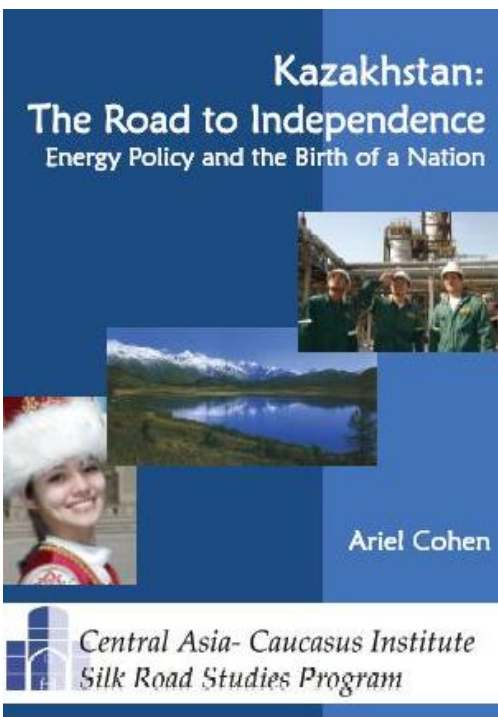
Washington is ready to assist Azerbaijan in bringing its energy resources to the international market, the U.S. special envoy for Eurasian energy said. Richard Morningstar is in Baku to attend an international energy conference sponsored by the Azeri Energy Ministry and the State Oil Co. of Azerbaijan. "We believe that Azerbaijan, as well as its neighbors, will maximize their oil and gas production, including through the development of new sources," said Morningstar. "We are ready to assist Azerbaijan in the delivery of hydrocarbons to the markets." The Western-backed Nabucco pipeline relies in part on gas supplies from Azerbaijan. Europe sees the \$10.7 billion project as a means to move away from a dependent relationship on Russia in the energy sector. Morningstar said the role of Azerbaijan in European energy security matters would establish a strong partnership with Washington and its allies, the Trend news agency reports. U.S. President Barack Obama, meanwhile, weighed in on the matter, expressing his support for Azerbaijan in the regional energy market. "Your country has emerged as an important and reliable supplier of energy to world markets," he said in a letter to Baku. "Azerbaijan is an example of how

developing energy resources with the involvement of international companies can result in rapid progress and access to the best technology." (UPI)

AZERBAIJANI MINISTER HAS LOW EXPECTATIONS FOR NEXT KARABAKH MEETING

3 June

Azerbaijani Foreign Minister Elmar Mammadyarov told RFE/RL's Azerbaijani Service that he does not expect much progress at the next meeting of the Armenian and Azerbaijani presidents in St. Petersburg on June 4 to discuss the Nagorno-Karabakh issue. Mammadyarov told RFE/RL that progress depends on how constructive the Armenian policy will be. Mammadyarov also said he will deliver a report to the Azerbaijani parliament in case there is progress, as requested by parliamentarians. In advance of the meeting in St. Petersburg, OSCE Minsk Group cochairs are claiming to have worked out concrete proposals for a resolution. They say the only thing standing in the way of an agreement on a final document is the will of the two countries' presidents. Matthew Bryza, U.S. cochair of the OSCE Minsk Group, told RFE/RL that he hopes the two presidents "will find a common language" at this "very serious moment" of the talks. Bryza added that the confidence between the two presidents has increased. (RFE/RL)



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